

C O N F I D E N T I A L

MS340 365 (STXX) Z1A Approved For Release 2007/02/08 : CIA-RDP84B00049R000300430012-4  
ZCZC 05:41:08Z (ST)

CONFIDENTIAL

STATE

ACTION: NONE INFO: CHASS-E ( ), NIC/WE, ODPH-H, ODPN-N,  
DDPJ-U, OGI/E/ED, OGI/EC/IF, OGI/EC/IT, OGI/G/IT, OGI/G/UL, ONESA/ECON,  
OOE/EI/P, OOE/FR, OOE/WE, OSA/CS/CA, OSA/CS/CF, OSA/CS/EN, OSA/CS/EP,  
OSA/CS/SD, OSA/CS/X, OSA/FA/G, OSA/PA, OSA/PA/D, OSA/PA/F, OSA/PA/S,  
OSA/SE, OSA/SE/I, OSA/SE/M, OSA/SE/F, OSA/SE/T, OSWR/TC, OSWR/TTC/S,  
PLANFAC-E ( ), FILE, RF, EUR-3, SE-3, CCS-3, CR/E, UCC-3, IAD/PE,  
NICAS/SP, NIO/PE, NIO/USSR, OER, OIA/EREB, OIA/ERRS, OSR/MEDA, OSR/MEDT,  
OSR/MEE, OSR/SFD, STO/SSTB, (27/4)  
Z1A, S2C, S1B, S1C, S4F, S4B, T4A, R3D, R5N, P1A, V1A, V1B.

82 8041086 SCO

NC 8041086

TOR: 201235Z FEB 82

DD RUEAIIIB

ZNY CCCCC ZOC STATE ZZH

JTS6327

DD RUEHC

DE RUHFHR #5928/01 0491819

ZNY CCCCC ZZH

O 191818Z FEB 82

FM AMEMBASSY PARIS

TO RUEHC/SECSTATE WASHDC IMMEDIATE 0132

INFO RUHFCL/AMEMBASSY BONN 8407

RUEHBS/AMEMBASSY BRUSSELS 9495

RUEHLD/AMEMBASSY LONDON 1160

RUEHMO/AMEMBASSY MOSCOW 3973

RUEHRO/AMEMBASSY ROME 3887

RUEHNA/USMISSION USNATO 1414

BT

EZ1:

C O N F I D E N T I A L PARIS 05928 COMBINED SECTION

EZ2:

BRUSSELS ALSO FOR USEC

E.O. 12065: GDS 2/19/88 (BLACK, CLAY) OR E

TAGS: ENRG, FR, UR, ETRD, ESTC

SUBJ: ALSTHOM ATLANTIC INVOLVEMENT IN SIBERIAN GAS  
PIPELINE PROJECT

1. EMBOFF DISCUSSED SIBERIAN GAS PIPELINE AND EFFECTS OF

U.S. EMBARGO WITH EXECUTIVE OF FRENCH FIRM ALSTHOM

ATLANTIQUE (AA). AA HAS AN ORDER DIRECTLY FROM SOVIE

IMPORT ENTITY MACHINEIMPORTEX FOR 40 SPARE ROTOR KITS

WHICH WILL BE MANUFACTURED USING GENERAL ELECTRIC TECH

NOLOGY FOR DELIVERY AT THE RATE OF TWO PER MONTH BETWEEN

OCTOBER 1983 AND JUNE 1985. AA HAS BEEN ASKED BY

MACHINEIMPORTEX (A MR. ROSKOFF-PHONEY) IF AA COULD MOV

FORWARD THE DELIVERY DATES OF THE ROTORS AND WHETHER AND

ON WHAT SCHEDULE AA COULD PRODUCE AN ADDITIONAL 100 OR 140

ROTOR KITS. AFTER STUDYING THE MATTER AND FROM A PURELY

INDUSTRIAL POINT OF VIEW, AA HAS REPLIED THAT IT COULD NOT

ADVANCE THE DELIVERY DATE FOR THE INITIAL DELIVERIES OF

THE 40 ROTOR KITS ALREADY ORDERED. AA ALSO INFORMED THE

SOVIETS IT COULD PROVIDE AN ADDITIONAL 100 OR 140 ROTOR

KITS FOR DELIVERY TOWARDS THE END OF 1984 AND CONTINUING

THROUGH APRIL 1987 IF IT WERE TO MAKE CERTAIN ADDITIONAL

INVESTMENTS. THE AA EXECUTIVE STRESSED THAT AA HAS NOT

C O N F I D E N T I A L

25X1

MSGNO 365 (STXX) ZIA \*21/02/82\* \*00:47\*  
Approved For Release 2007/02/08 : CIA-RDP84B00049R000300430012-4

YET BEEN REQUESTED BY THE SOVIETS TO UNDERTAKE SUCH AN ADDITIONAL CONTRACT NOR HAS IT TREATED A BID IN ANTICIPATION OF SUCH A REQUEST.

2. EMBOFF RAISED THE QUESTION OF AA'S READING OF ITS LICENSE AGREEMENT WITH GE AND WHETHER IT CONSIDERED THE LICENSE AS A POSSIBLE IMPEDIMENT TO ITS EXPORTATION OF ROTOR KITS TO THE SOVIET UNION. THE EXECUTIVE SAID THAT AA SAW NO EXISTING IMPEDIMENT TO THE EXPORTATION. THE TECHNOLOGY HAD ALREADY BEEN TRANSFERRED AND NOTHING THAT THEY HAD SEEN IN THE U.S. FEDERAL REGISTER EXPORT REGULATIONS CONCERNING EXPORTS TO THE SOVIET UNION APPEARED TO TOUCH THEIR ROTOR KIT EXPORTS. EMBOFF MENTIONED THAT HIS UNDERSTANDING OF THE AA LICENSE ACCORD WITH GE WAS THAT AA WAS PREVENTED FROM EXPORTING ANY PRODUCT OF TECHNOLOGY TRANSMITTED UNDER THE AGREEMENT IF U.S. EXPORT ADMINISTRATION REGULATIONS FORBID IT. THE EXECUTIVE SAID THAT THERE WERE VARYING INTERPRETATIONS OF THE ACCORD AMONG THEIR LAWYERS, BUT THAT AS OF THIS MOMENT THERE HAD BEEN NO INDICATION FROM GE THAT THEY COULD NOT GO AHEAD WITH THE DELIVERY OF THE ORDER FOR 40 ROTOR KITS. HE GRANTED THAT UNDER AA'S LICENSING ACCORD WITH GE, AA COULD BE FORBIDDEN TO EXPORT THE ROTOR KITS AND THAT THEIR LAWYERS MIGHT TAKE THE CASE TO INTERNATIONAL ARBITRATION WHERE AFTER THREE YEARS OR MORE THERE MIGHT BE A RESOLUTION AS WELL AS THE DESTRUCTION OF THE FRIENDLY AND COOPERATIVE CLIMATE THAT HAD EXISTED BETWEEN AA AND GE AFTER ALMOST 20 YEARS OF WORKING TOGETHER. HE SAID THAT HE DIDN'T THINK PERSONALLY THAT IT WAS THE LEGAL AGREEMENT THAT WAS SO IMPORTANT; HE SAID THAT IF THE PRESIDENT OF GE WERE TO TELEPHONE THE PRESIDENT OF AA AND ASK HIM NOT TO HAVE AA MAKE THE ROTORS, THAT AA WOULD BE VERY UNLIKELY TO MAKE THEM. SUCH WAS THE NATURE OF THEIR LONG ASSOCIATION AND THE VALUE PLACED UPON IT FOR THE FUTURE.

3. PRIOR TO THIS CONVERSATION ON U.S. EXPORT CONTROLS, THE EXECUTIVE HAD DISCUSSED THE SOVIET ALTERNATIVES AND HIS IMPRESSION OF THE STRENGTH OF THE SOVIET RESOLVE TO PUSH FORWARD WITH THE PROJECT DESPITE THE AMERICAN EMBARGO. HE MENTIONED THAT HE HAS DEALT WITH THE SOVIETS ON A VARIETY OF PROJECTS OVER A NUMBER OF YEARS. HE SAID THAT HE HAD RECENTLY HAD A DISCUSSION OF THE SITUATION WITH ROSKOFF OF MACHINEIMPORTEX, WHOM HE HAD KNOWN FOR A LONG TIME, AND THAT HE WAS LEFT WITH THE IMPRESSION THAT ONE WAY OR ANOTHER THE SOVIETS WERE GOING TO PUSH THROUGH THIS PROJECT AND THAT THEY WERE CAREFULLY EXAMINING THE ALTERNATIVES. HE SAID THAT THEY WERE ALREADY BUILDING AN AIRCRAFT-TURBINE DERIVATIVE COMPRESSOR WHICH THEY WERE USING ON THE GAS PIPELINE TO IRAN AND THAT THAT WAS AN ALTERNATIVE THAT THEY COULD FALL BACK ON FOR THE SIBERIAN EUROPEAN LINE, BUT THAT THE PROBLEM WAS PRODUCTION CAPACITY AND CONSEQUENT DELAYS. HE SAID THAT THE SOVIETS LIKED THE GE TURBINES; THEY HAVE 220 ON THE ORENBURG GAS PIPELINE. HE ALSO SAID THAT THEY ALREADY HAVE THREE FRAME 5 GE TURBINES OF THE TYPE WHICH HAVE BEEN ORDERED FOR THE SIBERIAN GAS LINE. IT IS NOT IN HIS VIEW SO MUCH A QUESTION OF TRANSFER OF TECHNOLOGY AS OF PRODUCTION CAPACITY. HE NOTED THAT IF AA WERE TO MANUFACTURE THE ROTOR KITS NEEDED FOR THE PIPELINE WITH EXPANDED CAPACITY THROUGH NEW INVESTMENT, THE NEW PIPELINE WOULD STILL BE DELAYED BY 2 AND 1/2 YEARS BUT THE 80 PERCENT MARKET

C O N F I D E N T I A L

MSGNO 365 (STXX) ZIA 21/02/82 08:47  
Approved For Release 2007/02/08 : CIA-RDP84B00049R000300430012-4

SHARE OF GE TECHNOLOGY IN THE SOVIET UNION WOULD BE MAINTAINED. HE ALSO FELT, HOWEVER, THAT THE SOVIETS COULD SQUEEZE ENOUGH ADDITIONAL GAS THROUGH THE ORENBURG LINE TO MEET THEIR BASIC OBLIGATIONS UNDER THE CONTRACTS WITH EUROPE. HE SEEMED TO ACCEPT THAT A POLITICAL DECISION IN THE UNITED STATES, FORMALLY OR THROUGH INFORMAL PRESSURE ON GE, COULD PREVENT THE EXPORT OF AA ROTOR KITS TO THE SOVIETS.

4. EMBOFF ALSO ASKED WHETHER THE GOVERNMENT OF FRANCE HAD PUT ANY PRESSURE ON AA TO PRODUCE ADDITIONAL ROTORS AS HAD BEEN SUGGESTED IN THE PRESS. HE SAID NO. EMBOFF THEN ASKED WHETHER IN HIS VIEW THE GOF, AS THE MAJOR STOCKHOLDER IN AA THROUGH ITS NATIONALIZATION OF CGE, COULD OR WOULD DIRECT AA TO TAKE ON THE ORDER FOR THE ADDITIONAL ROTORS IF THE U.S. GOVERNMENT WERE TO INVOKE ITS EXPORT CONTROLS AS PROVIDED FOR IN THE LICENSE ACCORD WITH GE. HE SAID THAT HE GREATLY DOUBTED IT, THAT FRANCE WAS AN OPEN SOCIETY WITH A VIGOROUS PRESS JUST AS IN THE UNITED STATES AND THAT THE OUTCRY WOULD BE VERY GREAT AND THAT IN ADDITION THE CHIEF EXECUTIVES OF AA WOULD NOT ACCEPT SUCH DIRECT INTERFERENCE.

5. HE SUGGESTED, WITHOUT ARGUING, THAT ALLOWING AA TO PRODUCE GE-TYPE ROTORS WITH A CONSEQUENT DELAY TO THE GASLINE OF 2 AND 1/2 YEARS WAS A BETTER ALTERNATIVE THAN FORCING THE SOVIETS TO GEAR UP THEIR OWN PRODUCTION OF AIRCRAFT-DERIVATIVE GAS TURBINES. GALBRAITH

NNNN

NNDD

C O N F I D E N T I A L